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Resources, Community, and
Economic Development Division

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The Honorable Clayton Yeutter
The Secretary of Agriculture

Dear Mr. Secretary:

This report is one of a series examining the management of the U.S. Department of Agriculture. Our purpose in these reports is to assess the Department's management, analyze problems and determine their underlying causes, and identify ways in which departmental management processes and structures could be improved. The report makes specific recommendations to you for improving the effectiveness of the Department's field structure.

We are sending copies of this report to the Director, Office of Management and Budget; interested congressional committees and subcommittees; individual Members; and others upon request.

This work was performed under the direction of John W. Harman, Director of Food and Agriculture Issues, who may be reached on (202) 275-5138. Other major contributors are listed in appendix III.

Sincerely yours,

A handwritten signature in cursive script, reading "J. Dexter Peach".

J. Dexter Peach
Assistant Comptroller General

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The Department is missing opportunities to share personnel, equipment, and office space at collocated office sites because it is not vigorously promoting such initiatives. Also, USDA is not taking full advantage of potential savings and efficiencies obtainable through consolidations. For example, USDA would have saved about \$90 million in administrative costs in fiscal year 1989 alone if it had consolidated those Agricultural Stabilization and Conservation Service (ASCS) field offices whose administrative costs exceeded or approached the value of benefits provided.

USDA also needs to move forward with a restructuring program to provide a more flexible, integrated field organization to deliver farm services. A 1985 USDA task force recommended a series of phased objectives for restructuring the field structure that were never implemented. If USDA does not begin restructuring soon, technological, demographic, and fiscal changes may compel it to adopt hurried, ill-conceived reforms that could leave it with a structure less suited for administering farm programs.

Agency and external opposition poses strong barriers to restructuring USDA's field operations. Actions affecting local offices typically generate concern in the Congress as well. Thus, USDA needs to engage its grass roots staff, top management, farm clients, and the Congress in updating its current structure to one that is best-suited for delivering its services into the next century.

Principal Findings

Need to Pursue Incremental Improvements More Aggressively

USDA can realize significant cost savings and efficiency improvements by aggressively pursuing incremental measures—resource-sharing initiatives in collocated offices where USDA agencies (and other federal agencies) now occupy common space. GAO has identified several such initiatives: one telecommunications initiative is expected to save \$3.75 million annually for participating offices; another initiative is expected to yield \$12.6 million in savings over 10 years to participating collocated offices. GAO's limited survey of similar initiatives in seven midwestern states identified estimated savings in the tens of thousands of dollars in some collocated offices. Typically, these initiatives included sharing reception services, copying services, printing costs, and mail services.

Executive Summary

Purpose

The U.S. Department of Agriculture (USDA) administers its farm programs and services through one of the federal government's largest, most decentralized field structures. The structure reflects the era in which it was established—the 1930s when communication and transportation systems were greatly limited by geographic boundaries. Since then, the number of farmers has declined sharply, and telephones, computers, and highways have increased farmers' access to information and assistance programs. More recently, federal budget pressures have led to questions about the affordability of such decentralization. Yet, the basic USDA field structure has undergone few major adjustments.

With the agricultural environment still changing and federal budget deficits increasing, GAO reviewed USDA's field structure to identify incremental and structural ways to improve its overall management. This report is one of a series of reports examining the management of USDA.

Background

One or more of the 5 farm service agencies maintains a presence in almost every one of the nation's 3,150 counties. In key farm programs, USDA is managed at the grass-roots level by its constituents. Although this organization has made USDA successful in responding to its clients, the heavy constituent involvement makes the Department slow to recognize the need to make changes in the field structure. Operating this decentralized field network is also costly. In fiscal year 1989, 4 of the 5 farm service agencies spent approximately \$2.4 billion and required over 63,000 staff years to administer their programs in over 11,000 county offices. These expenditures translate to about \$1,100 in federal administration costs per farm, using USDA's definition of a farm as having sales of \$1,000 or more.

Field office collocation occurs when two or more agencies can share common office space; field office consolidation occurs within individual agencies where the work of two or more sites can be performed at a single location.

Results in Brief

USDA can save millions of dollars while maintaining or improving operational effectiveness by (1) more aggressively pursuing incremental improvements through field office collocations and consolidations and (2) restructuring to provide a more flexible, integrated field organization.

of agricultural interests. Since then, however, USDA has acted on few task force recommendations, in part because it has not developed the systems necessary to deal with opposing viewpoints and to implement change. (See ch. 3.)

Recommendations

GAO is making recommendations to the Secretary of Agriculture to improve the effectiveness of USDA's field structure by (1) expanding its collocation tracking system to include information on the extent to which collocated agencies have reduced costs through sharing resources, (2) reporting annually through the FAC on the potential for additional savings at collocated offices, and (3) stepping up individual agencies' consolidation efforts.

Matters for Congressional Consideration

The Congress should consider working with USDA to take greater advantage of opportunities to consolidate local offices where farm clients may be served through a multicounty operation more efficiently and at less cost to the U.S. taxpayer. Now that the Congress has completed its work on the 1990 farm bill, GAO encourages it to hold hearings to (1) determine why USDA has not implemented its own recommendations for integrating the farm agencies and (2) explore the prospects of reorganizing these agencies in conjunction with congressional deliberations on the program and policy provisions of the 1995 farm bill.

Agency Comments

USDA did not provide comments on GAO's recommendations, stating that it would develop a statement of action after receiving GAO's final report. USDA did agree that efficiency improvements and cost savings can be achieved through increased collocation, resource sharing, and consolidation. However, the Department believes GAO's estimate of savings by increased consolidation is overly optimistic because it is based on an analysis of administrative costs and program benefits rather than on USDA's work load data. While GAO does not consider its analysis the sole criterion for office consolidations, it believes the comparison is a valid indicator, along with other factors, such as reliable work load data, farm trends, county size, and budget considerations.

Nevertheless, the Department is not adequately promoting or monitoring these initiatives. According to responsible officials, collocation monitoring activities have increased in response to our earlier reports, but these officials are still not tracking cost-savings information because USDA's top management has not requested them to do so.

USDA's management tool for implementing collocation and other cost-savings initiatives in the field—the state and local Food and Agriculture Councils (FAC)—has had reduced status because of a lack of interest at USDA headquarters in recent years. Although the Department has recently institutionalized the FAC liaison in headquarters, it has yet to use the FACs as a coordination mechanism for aggressively pursuing cost savings.

Office consolidations can also save a significant amount. The Farmers Home Administration (FmHA) consolidated 24 offices in 10 states between 1987 and 1989, projecting first-year savings of \$1.2 million. ASCS and the Soil Conservation Service (SCS) have also consolidated some field operations because of budget pressures and/or declining work loads. Yet, as of December 1989, nearly half of the states had ASCS and SCS offices in 90 percent or more of their counties.

Other offices could be consolidated. For example, most ASCS county offices had administrative costs of 3 to 4 percent of program outlays, but GAO identified over 50 county offices where administrative costs exceeded program outlays during fiscal year 1989 and over 800 county offices where administrative costs were 10 to 100 percent of program outlays. USDA would save over \$90 million annually if ASCS consolidated its high-cost offices. (See ch. 2.)

Structural Reforms Long Overdue

Incremental measures merely cut at the margins of existing operations. They do not address large-scale concerns affecting USDA's design, mission, and service delivery system. With the current fiscal stress, USDA probably needs a more flexible, integrated organization.

Because management responsibility for field operations is vested in the individual program agencies, only the Secretary has sufficient authority to change all field operations. If USDA is to streamline its field structure, GAO believes the Secretary must marshal headquarters top management, state and local office, and outside views. USDA took such action in 1985: a secretarial task force obtained comments on alternative organizational structures, including integrating the farm agencies, from a broad range

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Abbreviations

AMS	Agricultural Marketing Service
ASCS	Agricultural Stabilization and Conservation Service
CES	Cooperative Extension Service
ES	Extension Service
FAC	Food and Agriculture Council
FCIC	Federal Crop Insurance Corporation
FmHA	Farmers Home Administration
FS	Forest Service
GAO	General Accounting Office
IG	Inspector General
OMB	Office of Management and Budget
SCS	Soil Conservation Service
USDA	U.S. Department of Agriculture

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Managing Organizational Size in the Private and Public Sectors

Successful managers constantly monitor and reshape their organizations to keep pace with changes in their environment. In the private sector, these managers recognize complacent management is a key ingredient for disaster. Excessive corporate size, for example, can distort communication, waste resources, and reduce profit margins, leaving a firm vulnerable to a takeover attempt or bankruptcy.

Over the past decade, the private sector has witnessed numerous firms scrambling to restructure to ensure corporate survival. More than one half of the prestigious Fortune 500 companies have embarked on the restructuring process over the past 5 years alone. In their attempts to adopt more "lean and mean" structures, managers have sought innovative ways to solve problems, cut costs, eliminate unprofitable product lines, and restore competitiveness. One business analyst commented that firms undertake restructuring "because they know that if they don't clean up their act, somebody's going to come in and do it for them."

In contrast to private firms, public organizations, whose funds derive from appropriations, do not have an objective indicator like sales or profits to compare resources used with results achieved. Therefore, it is difficult to (1) equate the level of spending with the quality of services provided and (2) determine whether service delivery systems are operating efficiently. Additionally, unlike private firms, which can emerge from bankruptcy as entirely new entities, public organizations cannot simply close their doors and ignore their legislative mandates to provide services to the American public. Nevertheless, colossal federal debt can create federal funding crises and thereby compromise the ability of government agencies to accomplish their missions. Our 1989 Annual Report observed that the interest payments alone on the \$3-trillion federal debt burden may soon become the nation's highest general fund expenditure.²

Controlling the size and cost of federal operations to keep pace with environmental changes is not a new issue. A decade ago, we urged large federal departments and agencies, particularly those with extensive field structures, to control costs by reducing overhead and unnecessary support costs.³ Similarly, the Office of Management and Budget (OMB) has encouraged federal organizations over the past decade to undertake productivity improvements to ensure "cost-effective, quality goods and

²Facing Facts: Comptroller General's 1989 Annual Report (Washington, D.C.: U.S. GAO, Jan. 1990).

³Streamlining the Federal Field Structure: Potential Opportunities, Barriers, and Actions That Can Be Taken (FPCD-80-4; Aug. 5, 1980).

Introduction

As the nation enters the 1990s, executive officers of large private and public organizations find themselves operating in increasingly complex environments. Scarce resources, technological innovation, and changes in demand for goods and services continually challenge managers to assess how their organizations can best respond. Often, this assessment requires top-level managers to question whether an organization's structure and size is best-suited for accomplishing its core mission.

The U.S. Department of Agriculture (USDA) has the federal government's fifth largest budget—\$52 billion in fiscal year 1989—and operates one of the most extensive field structures in government. Almost 90 percent of USDA's more than 110,000 full-time employees work outside of Washington, D.C. This field force is supplemented by about 17,000 county office employees and numerous temporary employees whose salaries are funded by one of USDA's agencies—the Agricultural Stabilization and Conservation Service. Because of this structure, USDA has offices in almost every one of the 3,150 counties in the United States and in many cities. Proponents believe this structure provides a direct link between the Department and the nation's farmers and ranchers. Additionally, several USDA agencies have staff in overseas offices.

Most of USDA's farm service agencies and their service areas were established during the 1930s in response to the Great Depression. In that era, communication and transportation systems limited the geographic boundaries covered by any single field office. For these and other reasons, USDA established the present highly decentralized field office system with many small offices to serve the large number of small, widely disbursed, family-owned farms.

In October 1989, as part of our general management review of USDA, we provided the Secretary of Agriculture with our preliminary findings on ways to make organizational improvements across the Department.¹ This report examines USDA's field structure in greater detail and recommends actions for strengthening its management.

¹U.S. Department of Agriculture: Interim Report on Ways to Enhance Management (GAO/RCED-90-19, Oct. 26, 1989).

percent of the counties, and ES has offices in nearly all of the counties. ASCS, ES, FCIC, FmHA, and SCS have state-level managers for conducting the in-state operations of their respective agencies across the country.

These elaborate field organizations are primarily creations of 1930s New Deal legislation, particularly of the philosophy that the federal government has a responsibility for the economy's performance. The 1930s USDA programs are characterized by strong client participation in the structuring and implementation of local programs. Politically, this involvement mobilized constituent support for the programs, and to a great degree, this involvement has proven highly successful. Farmer-organized districts implemented soil conservation plans; locally elected farmer committees rather than bureaucrats oversaw the county offices that administered federal program benefits and farmer payments. USDA is one of only a very few federal entities that have direct, day-to-day, personal contact with their constituents, and in key programs, the Department is managed at the grass-roots level by its constituents. Although successful in making USDA responsive to its clients, the heavy constituent involvement has been criticized by some as the reason for the difficulty in instituting reforms: USDA is composed of a number of diverse, autonomous, and entrenched local self-governing systems that to varying degrees are regulated by the constituent groups themselves. This organizational structure makes USDA slow to recognize the need for and implement change.

USDA spends billions of dollars annually to provide services and programs through its field organizations. Fiscal year 1989 operating obligations for ASCS, SCS, FmHA, ES, FCIC, and the Forest Service (FS), were almost \$5 billion and used over 101,000 staff years. FS operating obligations alone were approximately \$2.5 billion and used over 37,000 staff years. The five farm service agencies obligated approximately \$2.4 billion and used over 63,000 staff years in over 11,000 field offices. (See table 1.1). These data translate to about \$1,100 in federal administration costs per farm, using USDA's definition of a farm as a place selling \$1,000 or more of agricultural products annually.

services to all Americans.” However, despite successful cost-savings initiatives undertaken across the government, OMB reported in 1989 that too many government agencies were still characterized by (1) programs that were designed decades ago to meet past needs and that duplicate other programs at great expense and (2) offices serving a single program or agency.

Today’s massive federal debt makes it even more imperative that these departments and agencies provide services and programs in the most efficient, cost-effective manner possible. Unlike the private sector, these departments and agencies do not worry about competitors forcing them to downsize, close, or be taken over.

USDA’s Field Structure Is Extensive and Costly

USDA has an extensive field system for improving and maintaining farm income, developing and expanding markets for agricultural products, and enhancing the environment by helping landowners protect the soil, water, forests, and other natural resources. In fulfilling its mission in these areas, the Department relies primarily on the following farm agencies:

- The Agricultural Stabilization and Conservation Service (ASCS). ASCS administers commodity and related land use programs that provide for commodity loans and price support payments to farmers; commodity purchases from farmers and processors; acreage reduction; cropland set-aside and other means of production adjustment; conservation cost-sharing; and emergency assistance.
- The Soil Conservation Service (SCS). SCS oversees a national soil and water conservation program in cooperation with other federal, state, and local government agencies.
- The Farmers Home Administration (FmHA). FmHA provides credit to farmers and rural residents unable to receive credit from other lenders at reasonable rates and terms.
- The Extension Service (ES). ES participates in a unique, integrated partnership involving government, land grant universities, and the private sector in providing broad agriculture education services to the nation’s farm and rural communities.
- The Federal Crop Insurance Corporation (FCIC). FCIC administers crop insurance through both public and private insurance agents.

With the exception of FCIC, each of the agencies operates elaborate field organizations. For example, ASCS and SCS have offices in over 85 percent of the 3,150 counties in the United States. FmHA has offices in over 60

the 50 state Food and Agriculture Council (FAC) chairpersons;⁵ former Secretaries, Under Secretaries, and Assistant Secretaries; as well as public interest groups and congressional staff.

USDA's 1985 review recognized that "with a staggering Federal debt and huge annual deficits, this is a time when creative solutions to chronic problems need to be developed." The report recommended, among other things,

- action to improve sharing of employees, supplies, and facilities to reduce costs at collocated offices, where two or more USDA agencies shared common space; and
- consideration of options for undertaking an extensive restructuring of the Department by merging, or integrating, the farm service agencies under the same Under or Assistant Secretary to enable additional reductions in administrative overhead.

Like the seven major studies that preceded it, the 1985 USDA report recognized that efforts to improve client service, increase productivity, and reduce costs often necessitated breaking down barriers to change that impeded efficient management of USDA's field structure.

Objectives, Scope, and Methodology

In conducting our general management review of USDA, our overall goals were to identify how USDA could make and sustain management improvements to strengthen policy development, better achieve program initiatives, improve the integrity of management support systems, and enhance planning for future agricultural issues. With regard to USDA's field structure, our principal objectives were to evaluate (1) whether USDA's collocation system enhances the operational efficiency of the field delivery system for farm programs and services, (2) the extent to which USDA is undertaking consolidations and other measures to allow it to respond more readily to budgetary and other external changes, and (3) the ability of USDA's systems to adjust to the changing environment.

Because of the extensive scope of USDA's field operations, we focused on those agencies with primary responsibility for farm programs: ASCS, SCS, FmHA, and to a lesser extent, FCIC and ES. We gathered data on the Forest Service and Agricultural Marketing Service (AMS) operations primarily

⁵USDA established these councils in 1982 to serve as a single forum for promoting interagency coordination and cooperation in each state. Each state council is comprised of senior officials of the individual USDA agencies in the state. Local councils consist of USDA representatives at the county, parish, borough, or multi-county level.

Table 1.1: Selected USDA Field Services
(Fiscal Year 1989)—Obligations, Staff
Years, and Number of Field Offices

Agency	Obligations ^a (millions)	Staff years (people)	Field offices ^b (number)
ASCS	\$563.4	18,582 ^c	2,874
SCS	549.4	13,055	3,026
FmHA	603.5	11,507	2,214
ES	361.4 ^d	20,257	2,928
FCIC	320.0 ^e	434 ^f	32
Total	\$2,397.7	63,835	11,074

^aIncludes salaries, expenses, rent, utilities, supplies, and computers.

^bField offices include county, district, area, and state offices for ASCS, SCS, FmHA, ES, and FCIC.

^cIncludes approximately 17,530 county office staff years that are funded from ASCS' consolidated salaries and expense account.

^dRepresents USDA's contribution of about one-third total ES costs. State and county governments fund the balance.

^eFCIC's fixed costs to support 32 field offices totaled \$28 million in fiscal year 1989. Delivery of its insurance programs in the field cost an additional \$292 million, paid to approximately 17,500 insurance agents and adjusters under standard agreements with the Corporation. These contractual costs vary directly with business activity under standard contract rates.

^fDoes not include clerical staff.

USDA's 1985 Study Most Extensive of Previous Reviews

USDA's field structure has been the subject of eight major studies, including two GAO reviews, over the past 2 decades. In general, these studies have identified opportunities for improving USDA's program delivery system through (1) increased and more efficient use of collocated offices where two or more field agencies occupy common office space, (2) increased field office consolidations where individual field agencies can combine the operations of two or more offices at a single location with equal or better client service, and (3) restructuring the field delivery system through, for example, a single Farmer Services Agency. (See app. I for a description of these reports.)

The most extensive of these studies, a 1985 USDA task force review, developed options for streamlining the Department.⁴ The task force sought advice on USDA's organizational structure from each Under Secretary, Assistant Secretary, and Agency Administrator; Deputy Administrators for Management; agency and Department staff officers; each of

⁴A Blueprint for the Future Organization of the United States Department of Agriculture: Final Report by the Secretary's Task Force on Streamlining USDA, (USDA, Oct. 21, 1985). Throughout this report we refer to this study as USDA's 1985 Blueprint Report.

26, 1989), which provided our preliminary findings on USDA management, including field management. We briefed the Secretary of Agriculture on these preliminary findings on May 8, 1989. In November 1989 we issued U. S. Department of Agriculture: Status of the Food and Agriculture Councils Needs to Be Elevated (GAO/RCED-90-29, Nov. 10, 1989), which studied the diminished status of the FACS, USDA's only interagency management level outside of the Department's national offices in Washington, D.C. We discussed our findings on the FACS and additional field management issues before the House Committee on Government Operations, Subcommittee on Information, Justice, and Agriculture, on February 28, 1990, (U.S. Department of Agriculture: Status of the Food and Agriculture Councils Needs to Be Elevated (GAO-T-RCED-90-36)).

We conducted our work between August 1989 and March 1990 in accordance with generally accepted government auditing standards. This report builds on the preliminary work conducted for the interim report. We provided a draft of this report to USDA for formal comment. USDA's comments and our responses appear in appendix II.

for purposes of comparison. We did not evaluate other USDA field operations, such as those of the Food and Nutrition Service.

To gain a broad understanding of USDA's field operations and management issues, we reviewed agency documents; budgetary material; previous management studies conducted by GAO, USDA, and private consultants; legislation; and internal USDA guidance and regulations affecting field operations. To identify strengths and weaknesses in USDA's field structure, we interviewed a wide range of USDA officials at the national offices of ASCS, SCS, FmHA, ES, FCIC, and the Forest Service in Washington, D.C. We also spoke with staff officials cognizant of field management issues in the Office of the Assistant Secretary for Administration and the Office of Budget and Policy Analysis. We also obtained perspectives on field management from USDA officials operating at the state and local levels in 11 states.

To determine the extent to which USDA is pursuing cost savings initiatives in collocated offices, we met with officials in USDA's Offices of Operations and Finance and Management in Washington, D.C., and conducted a limited survey among state FAC chairpersons in eight upper midwestern states. We also reviewed office productivity data in two of these states.

To determine the extent to which field agencies were consolidating offices where work load or other conditions may no longer justify a full complement of staff, we interviewed ASCS, SCS, and FmHA, management officials in Washington, D.C. We also obtained data on ASCS administrative expenditures and programs/benefits from ASCS national officials, ASCS' computer center in Kansas City, Missouri, and USDA's National Finance Center in New Orleans, Louisiana.

To assess the potential for extensive reorganizing of USDA's field structure, we reviewed proposals submitted in 1985 by the 50 state FACs, which recommended both incremental and longer term actions for reducing overall costs and improving USDA's field delivery system. We also discussed the potential for more extensive reorganizations with present and former USDA management officials and consultants from the National Association of Public Administration.

This report is the fourth GAO product on the Department's field structure; it is being issued as part of our overall review of USDA's management. In October 1989 we issued U.S. Department of Agriculture: Interim Report on Ways to Enhance Management (GAO/RCED-90-19, Oct.

Table 2.1: USDA Management Initiatives With Potentially Positive Impacts on Field Operations

Agency	Initiative	Description of Initiative	Results (actual or anticipated)
FmHA	Cash management controls	Avoid deposit and disbursement delays in field offices through concentrated banking and improved procedures	More efficient check processing will save approximately \$500,000 in interest expenses per 30-calendar days
FmHA	Paperwork reduction	Eliminate separate field office files for source documents by developing automated procedures	Elimination of unnecessary file maintenance and document submission will result in estimated annual cost savings of \$1.2 million
ASCS	Automated claims system	Improve credit management and debt collection by developing automated system	Agency is better able to provide timely accurate data more efficiently
ASCS/Commodity Credit Corporation (CCC)	Concentrated banking system	Allow collections deposited at 950 locations nationwide to be concentrated overnight at single, central location	More efficient collection process resulted in fy 1988 savings of \$1.1 million to CCC
SCS	Combined auto records system	Eliminate manual maintenance of daily records for each vehicle by developing automated fleet management with quarterly data input	Elimination of individual booklet system resulted in improved efficiency and estimated cost savings of \$2.5 million annually
SCS	Appeals tracking system	Develop more efficient method for tracking appeals by farmers and ranchers regarding SCS field staff implementation of Food Security Act	Processing time for handling appeals reduced by 67 percent, thereby improving customer service

Note: GAO did not assess the reasonableness of USDA estimates for cost savings or efficiency improvements.

Source: USDA.

Need to Pursue Resource Sharing More Actively at Collocated Offices

USDA can also make incremental improvements compatible with its existing field structure through collocation. USDA has had a formal policy and program for collocating farm service agencies for nearly 50 years. By December 1989 USDA had fully collocated FmHA, ASCS, and SCS offices in the same office building or adjacent buildings in 74 percent of the nation's 2,767 counties where at least 2 of the agencies had offices. USDA asserts in its current collocation guidance (Dec. 1986) that, in addition to providing convenient service to farmers and rural residents, collocation permits agencies to reduce overall costs by sharing personnel, equipment, and office space.

Incremental Adjustments Can Yield Short-Term Savings and Improved Efficiency

Well-run organizations rely on strategies that concentrate on quality service at minimum cost. Accordingly, many firms in the private sector annually examine opportunities to streamline resources, slash costs, and trim away organizational excess. Public departments and agencies also have an obligation to make short-term adjustments compatible with existing structures that yield cost savings while strengthening operational effectiveness. Some productivity improvements USDA has initiated over the last decade can enhance the quality of services and reduce the overall costs of operating the large field agencies.

USDA, however, has not taken full advantage of additional opportunities for reducing costs through (1) sharing resources more effectively at collocated offices, where two or more field agencies occupy common office space; and (2) consolidating agency field offices where administrative expenditures are high relative to the value of program benefits provided. More aggressive action in both of these areas can yield millions of dollars annually in cost savings and efficiency improvements to the Department, without sacrificing delivery of farmer services. Although consolidation can be a contentious issue, fraught with organizational and political obstacles, the fiscal climate today appears more favorable to such cost-savings initiatives.

Management Initiatives Can Enhance Field Operations

Incremental improvements in operations, typically short-term and program-specific, allow managers to make marginal adjustments compatible with existing management structures. In many situations marginal improvements in cost savings and/or productivity allow federal agencies to continue functioning when declining budgets threaten to impair delivery of traditional programs and services.

USDA has initiated many agency-specific programs to improve government financial management, enhance productivity, and provide better service through technological innovation, procurement reform, and the effective management of government operations. Several of USDA's agency-specific initiatives may improve the efficiency of USDA's field operations and reduce overall costs to the Department. Table 2.1 provides some examples of these initiatives.

Resource Sharing at Collocated Sites Can Save Millions

USDA's guidance on collocation specifies that it permits collocated agencies to reduce overall costs by sharing personnel, equipment, and office space. Analyses by us and USDA identified the potential for saving millions of dollars through resource sharing at collocated sites. In 1985 USDA's streamlining task force solicited information from its 50 state FACS on ways to improve USDA's field structure. In their responses, all 50 FACS supported the concept of sharing resources at collocated offices as one means of improving operational effectiveness while increasing savings to the Department.

Two of five FAC proposals eventually selected as USDA pilot projects showed potential for significant cost savings. One project, focusing on opportunities to share telephone systems, expects to save USDA \$12.6 million over a 10-year period if applied in 87 locations nationwide. Another project, sharing data systems at 57 locations across the country, was expected to save the Department approximately \$3.75 million by the end of 1989. Although USDA was unable to complete this latter project within its designated time frame, it still managed to achieve a \$1.15-million savings.

According to our limited survey on current operation improvement initiatives at collocated offices in eight upper midwestern states, considerable savings may be achieved. The FAC chairpersons in these states identified a number of resource-sharing initiatives—e.g., sharing office equipment, supplies, motor vehicles, leasing arrangements, printing and mail services, and office space. Cost savings estimates on initiatives in five of the eight states ranged from \$3,300 to \$195,000 per year. The other three states could not supply us with estimates. We estimated the aggregate total cost savings generated by the initiatives as approximately \$450,000 per year.

Cost-Saving Initiatives Not Adequately Monitored or Promoted

Despite the significant potential for cost savings, the Department neither tracks cost savings achieved through initiatives already underway at collocated sites nor vigorously promotes additional initiatives at collocated offices. Both our work and USDA's 1985 Blueprint Report recognized that deficiencies in these areas can limit the overall effectiveness of the Department's collocation policy.

In 1979 we reported that USDA could not adequately assess the progress of its collocation effort without tracking the extent to which agencies

In 1979 we reported that USDA needed to monitor resource sharing among collocated agencies more closely.¹ Moreover, both USDA's 1985 Blueprint Report and our present review found that USDA has not adequately monitored or further promoted the sharing of personnel, equipment, and supplies at collocated offices. Consequently, the Department is unable to determine past cost savings achieved at these offices and is missing opportunities to save potentially millions of dollars by pursuing these initiatives more aggressively.

1989 Data Reflect Continued Emphasis on Collocation

Through discussions with USDA officials and review of data maintained by USDA's Office of Operations, we found that the Department has maintained its long-established policy of collocating farm agency offices. As indicated in table 2.2, FmHA, ASCS, and SCS have figured prominently among collocated USDA agencies. Farm agencies operate out of the same or adjacent buildings in 2,040 counties across the nation. Other USDA agencies, including the Cooperative Extension Service (CES), Federal Crop Insurance Corporation, and the Forest Service, have also collocated with agencies in a number of localities nationwide. CES, for example, is collocated with at least 1 other USDA agency in 550 locations.²

Table 2.2: 1989 Collocation Status for ASCS, SCS, and FmHA, Calendar Year 1989

Total U.S. counties with ASCS, SCS or FmHA Office	Total field offices nationwide ^a			Total counties fully collocated ^b	Total counties partially collocated ^c	Total one-agency counties
	*SCS	SCS	FmHA			
2,948	2,797	2,847	2,116	2,040	383	181

^aASCS and FmHA figures reflect county offices. Figures for SCS offices, which serve separate conservation districts, reflect the number of counties where district offices are present.

^bFully collocated counties are those where at least two of the three agencies have offices in a county, and they are located in the same or adjacent buildings.

^cPartially collocated counties are those where at least two of the three agencies are collocated. The other agency office may be located in the same town or in an entirely different location.

Source: Office of Operations, USDA.

USDA's streamlining task force reported in 1985 that by collocating its field agencies, USDA can provide convenient, "one-stop" service to farmers and other residents of rural communities. Officials we spoke with during our review generally supported collocation for similar reasons.

¹Collocating Agriculture Field Offices—More Can Be Done (CED-79-74; Apr. 25, 1979).

²CES' relatively low collocation figure probably occurs because most of its 2,928 offices are provided rent-free by county governments.

part to the diminished status of the FACS since 1985.⁴ Officials we contacted during that review spoke in general of USDA headquarters' reduced interest in the FACS, USDA's only interagency coordination mechanism operating in the field and the Department's principal source of information on collocation trends at the state and local levels. We recommended that, to involve the field more fully in carrying out program, policy, and administrative initiatives, the Secretary of Agriculture should institutionalize a FAC liaison in the Office of the Secretary.

During a congressional hearing in February 1990, USDA officials testified that the Department was taking action to revitalize the FACS. We commend management for its recent efforts to elevate the status of the FACS in the Department. We still believe, however, that the Secretary of Agriculture can use the FACS more effectively in stimulating grass roots input for innovative ideas to improve USDA's field structure. Documenting cost savings already achieved at collocated offices and further promoting resource-sharing initiatives where feasible in many of USDA's 2,040 collocated offices are but two of many areas where the FACS can benefit the Department as a strategic management tool. As of June 1990, no such initiatives were being promoted by the new FAC liaison.

Consolidations Offer Additional Cost- Savings Potential

Consolidation, combining the operations of two or more offices of an individual agency at a single location, can provide USDA with additional cost savings and the same or more efficient service delivery. FmHA, ASCS, and SCS have made some effort to consolidate field operations over the years, but single-county offices still dominate their field structures. We believe these large farm agencies can undertake additional opportunities without a concurrent loss in operational effectiveness or increased burden on farmers, particularly where administrative costs exceed or are nearly equal to the value of benefits provided. However, consolidation, which typically involves permanent office closures and staff relocations, can be a contentious issue, raising organizational and political obstacles. Nevertheless, annual potential savings in the millions of dollars justify pursuing consolidation more aggressively at locations that no longer warrant a full complement of agency staff.

⁴U.S. Department of Agriculture: Status of the Food and Agriculture Councils Need to be Elevated (GAO/RCED-90-29, Nov. 20, 1989).

are sharing resources at collocated offices.³ To remedy this situation, we recommended that the Department establish a system for tracking these data at USDA headquarters. Similarly, the 1985 Blueprint report recognized that while “literally hundreds” of resource-sharing arrangements had been achieved across the Department, USDA needed to develop a data base to enable headquarters officials to review progress on resource sharing at collocated offices at any given time.

And yet, 11 years after our report and 5 years after USDA’s own Blueprint Report, our discussions with USDA officials in Washington, D.C., and elsewhere indicate that the Department still does not have a system in place for tracking cost savings achieved through initiatives at collocated sites. According to a USDA official in Minnesota, improved service to USDA clients, not cost savings, has been the primary emphasis of the Department’s collocation policy. Other USDA officials also suggested that improving cost savings has not been a principal thrust of the Department’s collocation program. Further, USDA headquarters officials responsible for reporting collocation trends told us they are not presently tracking cost savings data because the Department’s top-level management has not requested them to do so and they do not appear to believe that identifying such cost savings is part of their own responsibility.

Role of FACs in Promoting Collocation

Although the FACs provided overwhelming support for resource-sharing initiatives during the 1985 streamlining effort, USDA has not vigorously promoted such initiatives at collocated sites in subsequent years. In a 1988 report on the outcome of five FAC pilot projects generated by the 1985 streamlining effort, a prior USDA Assistant Secretary for Administration stated that while the FACs were encouraged to pursue their own initiatives, “this was probably not done to any extent.” Our survey of eight midwestern states also revealed that such initiatives were not emphasized. One of the FAC chairmen participating in this survey reported, for example, that collocated offices in his state had not initiated new resource-sharing measures since the 1985 streamlining effort because USDA had not instructed the state and local FACs to do so.

In November 1989 we reported that the loss of momentum in pursuing resource-sharing initiatives at collocated offices may be attributable in

³Collocating Agriculture Field Offices—More Can Be Done (CED-79-74; Apr. 25, 1979).

- One Montana office was closed because the FmHA office in the adjoining county was in closer proximity to other consumer services.
- A Texas suboffice was closed because farmers would not be adversely affected by traveling to the agency's main office, located 10 miles away.
- FmHA closed a North Dakota county office that averaged one client visit per day. The agency also explained that clients from this county were already traveling to an FmHA office in an adjoining county, which had more developed retail and service centers.
- A Maryland district office was closed because consolidating four districts into three provided more efficient loan servicing.
- A Virginia office was closed because increased urbanization curtailed rural housing and farm program activity.

In general, when FmHA considers requests to consolidate field offices, it subjects each proposal to a rigorous process to ensure, among other things, that (1) agency clients are not unduly burdened by office relocation, (2) Senators and Representatives from the affected areas are informed and approve of the consolidation, and (3) employees are not adversely affected by the action.

Single-County Offices Dominate ASCS, SCS Field Operations

Collocation data in USDA's 1985 Blueprint Report also provided a glimpse of the vast potential for consolidating the expansive field operations of FmHA, ASCS, and SCS. The report's collocation statistics revealed, for example, that in 1985 80 percent or more of ASCS and SCS local offices were in single counties in 44 states and 46 states, respectively. However, given improvements in transportation technology and communications, we believe it is increasingly difficult to rationalize the existence of so many local offices. Travel time between county seats has declined dramatically since the establishment of the farm agencies earlier in this century, thereby weakening arguments that consolidations burden clients and agency staff with unreasonable travel requirements.

Using county office data maintained by ASCS and data compiled by USDA's Office of Operations on collocation trends in fiscal year 1989, we updated USDA's 1985 analysis to determine whether the preponderance of single-county operations has persisted. As table 2.3 shows, ASCS and SCS field presence in single counties remains particularly high, especially when compared with FmHA. Twenty-three states have an ASCS and SCS office in 90 percent or more of their counties.

USDA's Recent Experience With Consolidation

In 1980 we reported that federal agencies with extensive field structures, such as USDA, needed to examine more closely the potential for consolidating field offices or risk having more personnel and offices than needed to carry out field operations efficiently.⁵ We also identified general internal and external barriers to consolidation that federal agencies had to overcome.

USDA's recent experience with field office consolidation suggests that the Department has been only minimally responsive to these observations. Of the farm agencies, FmHA consolidated only about 1 percent (22 county and 2 district offices in 10 states) between 1987 and 1989 for projected first-year cost savings of \$1.1 million. SCS reduced its area offices by 21 percent between 1983 and 1990 by consolidating 228 of these offices into 180 offices,⁶ but the agency has been less successful in consolidating many of its 2,847 district offices. The total number of ASCS' principal county offices declined by only 4 (from 2,682 to 2,678) between late 1987 and early 1990. The national offices of ASCS and SCS were unable to provide us with estimated cost savings from field office consolidations.

The Agricultural Marketing Service (AMS), a non-farm agency, has had somewhat more success in consolidating some of its 274 offices. A former AMS Administrator noted that the agency owes its success in reducing its regional structure to its relationship with principal AMS clients. Unlike the farm programs, most AMS program costs are paid through user fees by the commodity groups and research boards that rely on AMS marketing data. AMS management informed these clients that they could control user fee increases by supporting agency efforts to reduce overhead through more streamlined operations. AMS officials stated in 1989 that the agency expected to save \$1.5 million over 5 years by consolidating 26 (almost 10 percent) of its field offices.

FmHA's experience in combining the operations of individual offices illustrates conditions that might prompt field agencies to consider consolidation. The following are justifications FmHA used in consolidating some of its 22 county and 2 district offices:

⁵Streamlining the Federal Field Structure: Potential Opportunities, Barriers, and Actions That Can Be Taken (FPCD-80-4; Aug. 5, 1980).

⁶Area offices, SCS' first-line management level below the state office, supervise the operations of a number of district offices (2,847 nationwide) or service offices. The size of any given "area" depends on its geographic location, types of programs, patterns of conservation districts, and other factors.

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State	Farm Agency Local Offices						
	Total counties	ASCS		SCS		FmHA	
		Number of county offices ^a	Percent counties with offices	Number of county offices	Percent counties with offices	Number of county offices	Percent counties with offices
Ok.	77	77	100	77	100	70	91
Oreg.	36	27	75	35	97	21	58
Penn.	67	60	90	61	91	41	61
R.I.	5	1	20	1	20	3	60
S.C.	46	46	100	46	100	45	98
S.D.	67	60	90	60	90	41	61
Tenn.	95	95	100	95	100	95	100
Tex.	254	239	94	227	89	166	65
Ut.	29	27	93	26	90	20	69
Ve.	14	14	100	12	86	12	86
Va.	95	86	91	72	76	58	61
Wash.	39	31	79	35	90	19	49
W.V.	55	47	85	44	80	31	76
Wisc.	72	64	89	62	86	51	71
Wy.	23	20	87	23	100	21	91
Total	3,076	2,797	91	2,847	92	2,116	69

^aIncludes 2,671 county headquarters offices, 94 full-time sub-offices, and 28 part-time suboffices.

Source: Office of Operations, USDA.

Table 2.4 lists the 14 states that have an ASCS and SCS office in over 95 percent of their counties. The table is arranged by the average size county in each state, which gives an indication of the territory covered by each office. The states range from Kentucky where 120 counties average 337 square miles, to North Dakota, where 53 counties average 1,333 square miles.

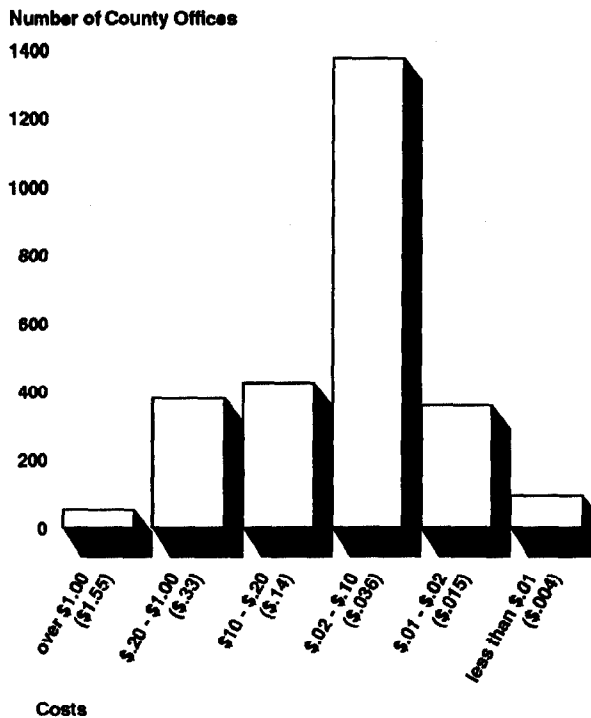
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Table 2.3: ASCS, SCS, FmHA Presence in Counties, by State, Calendar Year 1989

State	Total counties	Farm Agency Local Offices					
		ASCS		SCS		FmHA	
		Number of county offices ^a	Percent counties with offices	Number of county offices	Percent counties with offices	Number of county offices	Percent counties with offices
Ala.	67	67	100	67	100	57	85
Alas.	5	4	80	4	80	2	40
Ariz.	15	11	73	13	87	12	80
Ark.	75	75	100	75	100	75	100
Calif.	58	32	55	41	71	26	45
Colo.	63	41	65	59	94	31	49
Conn.	8	8	100	8	100	2	25
Del.	3	3	100	3	100	3	100
Fla.	67	45	67	59	88	36	54
Ga.	159	143	90	147	92	77	48
Ha.	5	4	80	4	80	4	80
Ida.	44	41	93	40	91	27	61
Ill.	102	97	95	96	94	77	75
Ind.	92	92	100	91	99	65	71
Iowa	99	100	100	99	100	63	64
Kas.	105	104	99	105	100	38	36
Ken.	120	120	100	119	99	118	98
La.	64	56	88	51	80	41	64
Me.	16	16	88	16	100	16	100
Md.	23	22	96	19	83	15	65
Mass.	14	10	71	11	79	8	57
Mi.	83	69	83	68	82	40	48
Minn.	87	85	93	87	100	52	60
Miss.	82	80	98	81	99	69	84
Mo.	114	114	100	113	99	113	99
Mont.	56	49	88	52	93	39	70
Neb.	93	84	90	82	88	45	48
Nev.	16	8	50	13	81	6	38
N.H.	10	8	80	10	100	9	90
N.J.	21	8	38	13	62	11	52
N.M.	33	26	79	29	88	29	88
N.Y.	62	50	81	56	90	43	69
N.C.	100	97	97	99	99	90	90
N.D.	53	53	100	53	100	48	91
Ohio	88	81	92	88	100	35	40

(continued)

Figure 2.1: Cost to Deliver a Dollar of
ASCS Benefits (FY 1989)



Note: Bracketed figures represent the average cost for each category.
Source: GAO analysis of ASCS data.

Figure 2.2 shows the locations of the 856 ASCS county offices that make up the first three bars of figure 2.1, i.e., offices in which county administrative expenditures exceeded benefits, and locations where overhead expenses incurred were 20 to 100 percent and 10 to 20 percent of benefit dollars delivered. These 856 ASCS county offices represent 32 percent of all offices, incur 21 percent of all administrative expenses, and pay out less than 3 percent of total program benefits.

Table 2.4: States With Over 95 Percent ASCS and SCS County Coverage, Sorted by Average County Size

State	Number of counties	Average county size (sq. miles)	Percent of ASCS counties	Percent of SCS counties
Ken.	120	337	100	99
Ind.	92	394	100	99
Tenn.	95	445	100	100
N.C.	100	526	99	96
Iowa	99	569	100	100
Miss.	82	582	98	99
Conn.	8	626	100	100
S.C.	46	675	100	100
Del.	3	686	100	100
Ark.	75	708	100	100
Ala.	67	770	100	100
Kan.	105	783	99	100
Ok.	77	908	100	100
N.D.	53	1,333	100	100

Source: GAO calculations based on USDA Office of Operations and ASCS data.

Through discussions with agency officials and review of prior justifications for consolidating offices, we learned that farmers already travel regularly to other counties to procure farm equipment as well as a wide range of consumer services. FmHA officials further explained that the agency's field staff can handle much of their contacts with farm clients by phone or mail.

ASCS County Operations Data Reveal Considerable Organizational Slack

Proponents of local farm agency offices serving single counties may rationalize the need for such offices on the basis of high levels of program activity, and when true, that is a reasonable justification. However, some of these offices have low levels of activity, as a comparison of ASCS administrative expenditures and program benefits on a county-by-county basis indicates. As figure 2.1 shows, the majority (1,825) of ASCS county offices spent from less than 1 cent to 10 cents for every dollar of benefits provided in 1989, but 53 county offices spent more on overhead expenditures than they gave out in program benefits; 379 counties spent 20 cents to a dollar; and 424 county offices spent 10 to 20 cents for every dollar of benefits provided. Unless local offices can be justified on a critical service basis, more cost-effective service could be provided by consolidating some of these offices in this period of budget stress.

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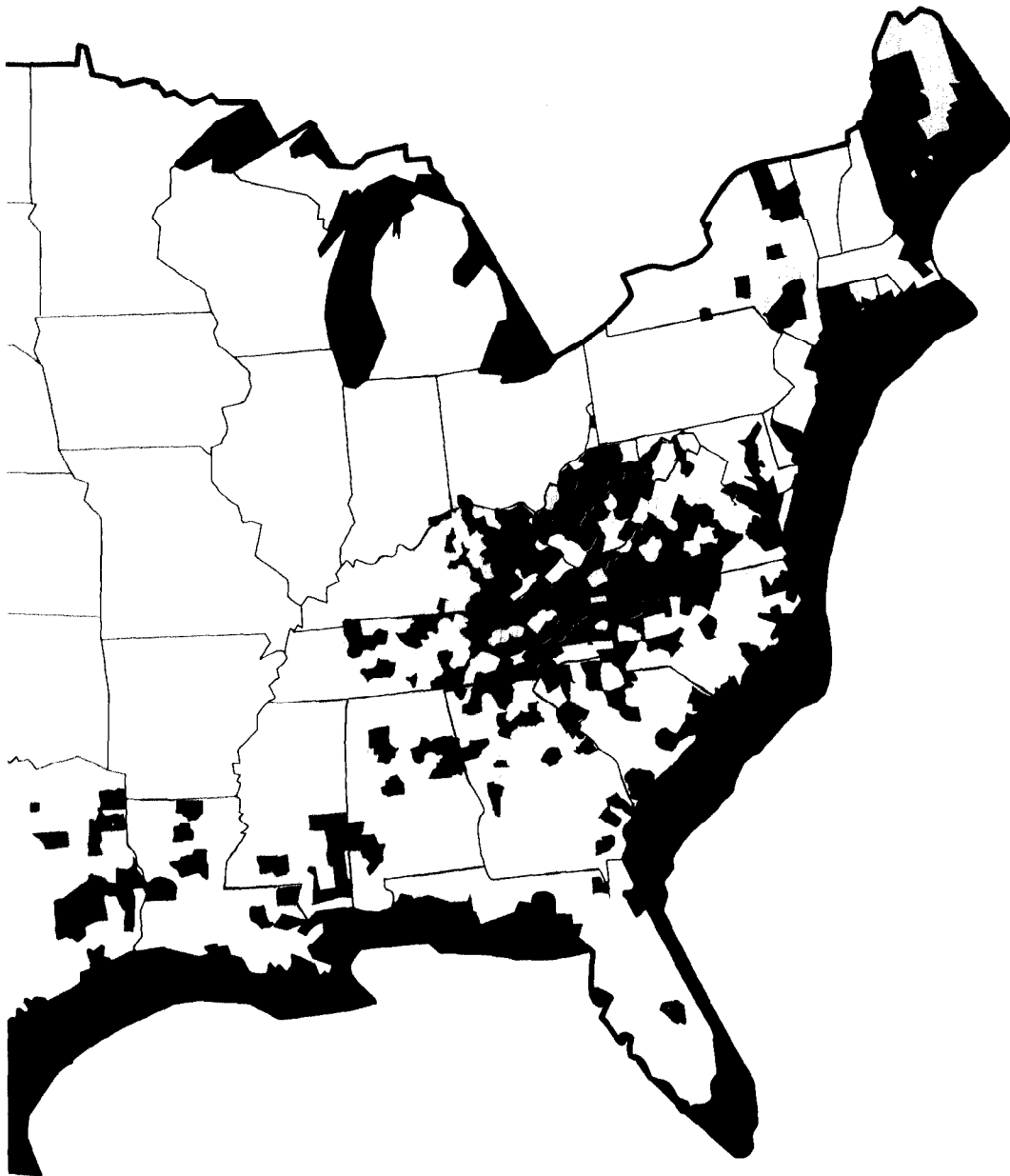
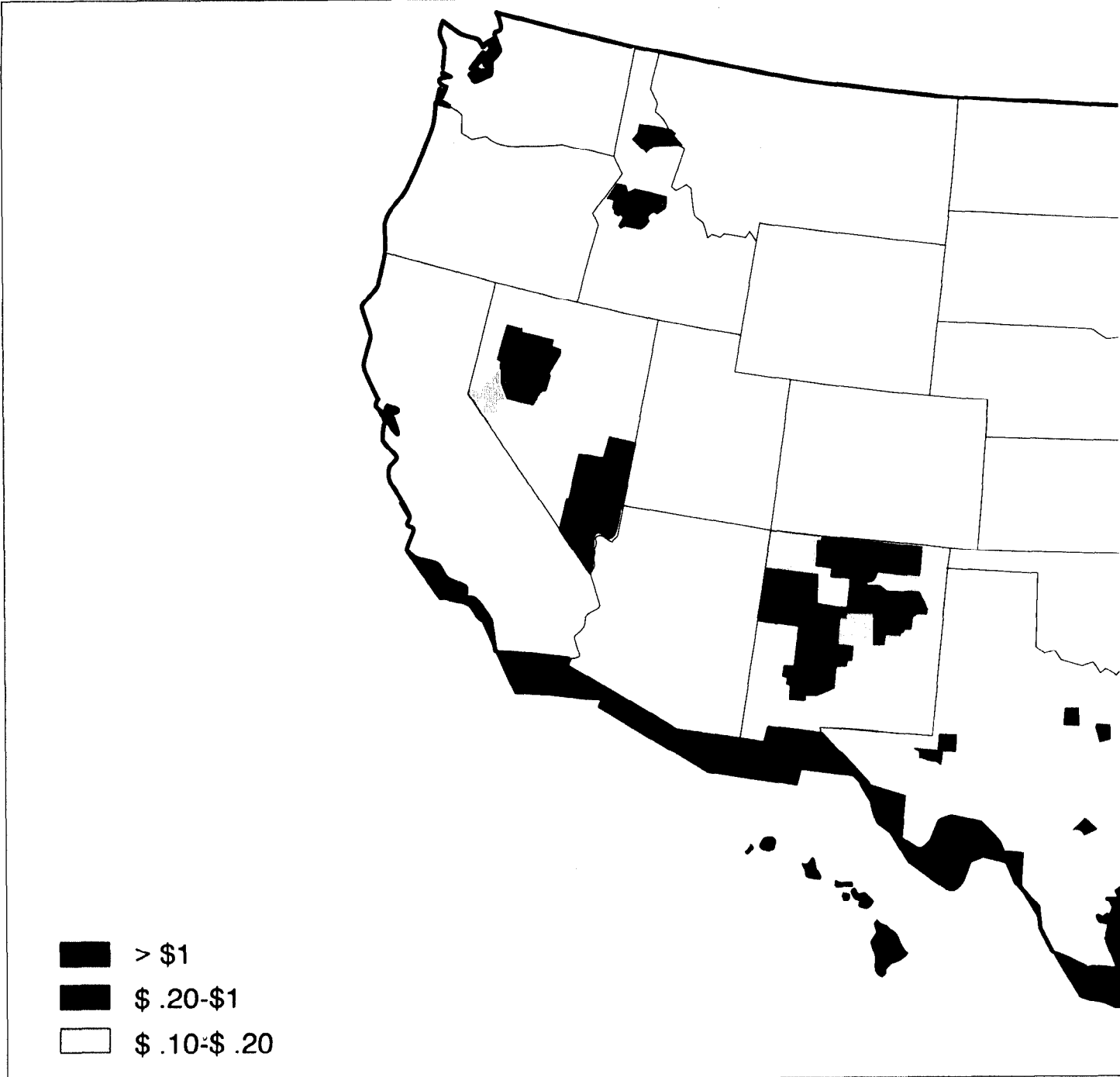


Figure 2.2: ASCS Counties Where Administrative Expenses Exceeded or Were 10 Percent or More of the Value of Program Benefits Dispersed (1989)



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Table 2.5: Cost of Delivering ASCS
Programs by State (FY 1989)

State	Total counties	Counties with ASCS headquarters offices		ASCS County headquarters offices spending >\$.10		Delivery cost per dollar of benefits
		No.	Percent of total counties	No.	Percent of total ASCS County offices	
Ala.	67	65	97	30	46	\$.05
Alas.	5	4	80	2	5	.20
Ariz.	15	10	67	4	40	.02
Ark.	75	72	96	25	35	.01
Calif.	58	32	55	1	3	.01
Colo.	63	41	65	9	22	.01
Conn.	8	8	100	8	100	.26
Del.	3	3	100	0	0	.07
Fla.	67	45	67	25	56	.02
Ga.	159	110	69	59	54	.06
Hi.	5	4	80	4	100	.81
Ida.	44	41	93	4	10	.04
Ill.	102	97	95	0	0	.02
Ind.	92	92	100	8	9	.03
Iowa	99	99	100	0	0	.02
Kas.	105	104	99	5	5	.04
Ken.	120	114	95	71	62	.08
La.	64	47	73	11	23	.01
Me.	16	14	88	14	100	.27
Md.	23	20	87	5	25	.05
Mass.	14	8	57	8	100	.19
Mi.	83	65	78	17	26	.03
Minn.	87	81	93	2	3	.02
Miss.	82	77	94	31	40	.01
Mo.	114	101	89	12	12	.03
Mont.	56	46	82	5	11	.02
Neb.	93	84	90	1	1	.02
Nev.	16	8	50	6	75	.10
N.H.	10	8	80	8	100	.37
N.J.	21	8	38	0	0	.04
N.M.	33	26	79	16	62	.04
N.Y.	62	50	81	29	58	.07
N.C.	100	94	94	72	77	.10
N.D.	53	53	100	0	0	.02

(continued)

We believe that ASCS can consolidate some of the high-overhead offices with those in adjoining counties, particularly where such actions would not adversely affect farm clients. ASCS spent over \$110 million in administration costs to pay out \$586 million in benefits in the 856 offices, spending over 10 cents for every dollar of benefits provided in fiscal year 1989—an average cost of 18.9 cents. If ASCS consolidated these offices so that its average cost was the same as that obtained by the majority of its offices in fiscal year 1989 (3.6 cents), the same \$586 million in benefits would have cost just over \$21 million to administer—a savings of about \$90 million. Increased efficiency would save even more money.

We also examined ASCS' cost of doing business on a state-by-state basis. Table 2.4 shows the (1) number and percentage of the state counties that maintain ASCS county headquarters offices and (2) number and percentage of states' counties that spend 10 cents or more to deliver a dollar in program benefits, with the average cost of delivering a dollar of ASCS farm programs in each state. The results show great variations by state. For example, 19 states contain over 50 percent high-cost counties while 6 states do not contain any.

- Both ASCS and FmHA have farmer-elected county committees that oversee programs and staff at the local level. Consolidating two offices can result in an awkward situation whereby two elected county committees are charged with operating a single office.
- Particularly below the district level, SCS staff work closely with state and county government employees, often in free office space, in administering conservation programs. SCS has argued in the past that consolidations at this level could weaken efforts to conserve soil and water resources.
- All three of the major farm agencies have legislatively mandated minimum staff levels or “floors” that limit the degree to which agency administrators can reduce staff through attrition or other means.⁷

Although these organizational impediments complicate consolidation decisions, they are not insurmountable. ASCS managers told us, for example, that they have consolidated offices using a “shared management approach,” in which the elected committees of two counties work through a “shared” county executive director to administer the combined operations of the counties. In addition, SCS managers told us that, particularly in northeastern states, state and county governments have begun to take the lead in some conservation programs, a trend that may allow SCS to reduce its presence eventually in these states. Finally, while the Congress determines the minimum staff levels for FmHA, ASCS, and SCS field operations, its decision does not preclude amending legislation following a finding by the Secretary of Agriculture that the staff levels should be adjusted downward to maximize operational efficiency.

Present and former USDA officials have also acknowledged that although the potential exists for further consolidating USDA’s field operations, internal and external resistance to consolidation can be daunting. Through our discussions with farm agency officials and reviews of relevant documents, we identified many situations where farm agency attempts to consolidate even small local offices have met with stiff resistance. In one southwestern state, for example, an FmHA attempt to consolidate one office was blocked when the landlord affected by the action teamed with a banker and a judge and successfully appealed to a U.S. Representative to intervene. An SCS state conservationist in the southeastern part of the country told us that his ability to relocate staff to areas of greatest need is limited because of the potentially adverse

⁷In the general provisions section of its fiscal year 1991 budget proposal, USDA suggested eliminating minimum staff floors for the field agencies to permit the Secretary the flexibility needed to carry out programs of the Department in the most efficient, cost-effective manner.

State	Total counties	Counties with ASCS headquarters offices		ASCS County headquarters offices spending >\$.10		Delivery cost per dollar of benefits
		No.	Percent of total counties	No.	Percent of total ASCS County offices	
Ohio	88	81	92	15	1	.04
Ok.	77	76	99	23	30	.05
Oreg.	36	27	75	11	41	.05
Penn.	67	59	88	34	58	.10
R.I.	5	1	20	1	100	1.77
S.C.	46	45	98	26	58	.07
S.D.	67	60	90	0	0	.03
Tenn.	95	95	100	61	64	.05
Tex.	254	228	90	49	22	.02
Utah	29	22	76	8	36	.01
Ve.	14	13	93	11	85	.16
Va.	95	78	82	66	85	.17
Wash.	39	29	74	9	31	.02
W.V.	55	47	85	45	96	.28
Wisc.	72	61	85	1	2	.03
Wy.	23	18	78	4	22	.06
Total	3,076	2,671	87	856	32	\$.024

Source: GAO analysis of ASCS data.

We did not analyze similar data for FmHA or SCS. Discussions with FmHA and SCS officials suggest that there are also opportunities in some states—particularly those with relatively small counties and/or small farm populations—to consolidate operations within a multicounty structure.

Coming to Grips With Organizational and Political Obstacles

Citing the complexity of individual agency operations, USDA's 1985 Blueprint Report skirted the issue of field office consolidations. The report simply recommended that agencies "self-examine" the potential for cutting costs and reducing overhead in their structures. Nevertheless, the 1985 Blueprint Report correctly underscores the "complexity" of agency operations as a potential organizational obstacle to consolidation. Indeed, FmHA, ASCS, and SCS possess unique features that, on the surface, appear to work against consolidation:

to reduce the national debt, have been less inclined to block consolidations in recent years. As mentioned earlier in this chapter, AMS' success in consolidating offices may be owed in part to its mutual interest with private sector AMS clients in keeping agency overhead—and potential increases in user fees—to a minimum.

Conclusions

Successful organizations commonly take actions designed to maximize available resources, shave costs, and trim management layers over the short term. Federal agencies with large field structures have a wide variety of short-term options to control costs and improve operational effectiveness. These incremental measures are particularly valuable to federal managers when declining budgets threaten to erode an agency's ability to deliver traditional programs and services.

USDA's field agencies have undertaken a number of initiatives, compatible with their existing management structures, that can potentially save millions of dollars with the same or improved operational effectiveness. However, USDA has not been aggressive in two particular areas: sharing resources at its 2,221 collocated offices and consolidating the operations of small local offices of its major field agencies, particularly FmHA, ASCS, and SCS. As we have indicated, the potential cost savings to be gained through such measures can be significant.

Mechanisms are available to achieve further savings. USDA has not yet responded to recommendations to develop a tracking system for cost savings that result from resource sharing at collocated sites. We reported over a decade ago that this information was critical to the success of USDA's collocation policy; USDA's 1985 Blueprint Report reiterated the need for such a tracking system. In addition, the Department has to revive the enthusiasm exhibited by the FACS in 1985 when they proposed numerous practical and innovative cost-savings suggestions for improving USDA field operations. While USDA has recently revitalized the FACS by placing the liaison back in the Office of the Secretary, it has not taken full advantage of this feedback mechanism. The Department needs to take greater advantage of this grass roots management tool in assessing opportunities for delivering USDA services more effectively while reducing overall costs.

Consolidation has also not been a sufficiently high priority, particularly for small, localized agency operations that may be managed more efficiently and cost effectively through a multicounty structure. Advances in transportation and communications, declining farm populations, and

reaction from state legislators in affected districts. ASCS officials recalled an incident in a midwestern state where a prospective consolidation of three local offices was effectively cancelled by a county executive director who refused to relocate. According to ASCS Assistant Deputy Administrator for Administration, a lack of consistent guidance from top management and the Congress has kept the agency from aggressively pursuing consolidations.

There are probably many more examples of unsuccessful consolidation attempts, according to farm agency managers at USDA headquarters, but they are not aware of them because special interests frequently succeed in blocking proposed consolidations before headquarters has an opportunity to participate in the process. For example, according to ASCS guidelines for field office management, affected ASCS county committees must first review and comment on combining county offices before the proposed consolidation can be transmitted to ASCS state committee and the ASCS Deputy Administrator for State and County Offices, in Washington, D.C., for authorization. Because of this policy, ASCS officials at USDA headquarters told us, managers in the agency's national office receive insufficient feedback from ASCS state and local officials on how often rational proposals to consolidate local offices fall prey to political interference.

Large-scale consolidation efforts are no less vulnerable to strong internal and external opposition. For example, a 1985 SCS task force proposed consolidating the administrative operations of its 50 state offices into 2 administrative centers, thereby saving nearly \$20 million over a 10-year period. However, SCS never implemented the task force recommendations, in part because state conservationists and SCS state business offices affected by the action voiced strong opposition to the proposal. Similarly, a 1985 ASCS attempt to consolidate 12 underutilized offices in the northeastern part of the country was blocked by the Congress in the wake of stiff resistance to the plan by affected ASCS staff.

Despite seemingly staunch resistance from special interest groups and congressional concerns, such obstacles can be overcome. One FmHA national office manager, for example, attributes his agency's success in consolidating local offices to its policy of informing affected groups, including Members of Congress, of a proposed consolidation at an early stage and then working with these groups to minimize any negative impacts of the consolidation. An SCS state conservationist also told us that congressional representatives from his state, sensitive to the need

Matters for Consideration by the Congress

We believe that the Congress should consider working with USDA to take greater advantage of opportunities to consolidate local offices where farm clients may be served through a multicounty operation as or more efficiently and at less cost to the U.S. taxpayer.

Agency Comments

USDA did not respond to our specific recommendations. In general, USDA agrees that efficiency improvements and cost savings can be achieved through increased collocation, resource sharing, and consolidation. However, the Department believes our estimate of cost savings through increased consolidation is overly optimistic because it is based on an analysis of administrative costs and program benefits rather than the Department's work load data. While we do not consider our analysis as the sole criterion for office consolidations, we do consider the comparison to be a valid indicator along with other factors, such as reliable work load data, farm trends, county size, and budget considerations. We found USDA's current work load statistics to be unreliable for such a purpose because county office statistics are typically accepted at face value by state offices.

USDA states that most of the potential savings in existing collocated offices have already been realized. We see no basis for this claim. USDA does not track resource sharing at collocated sites or maintain data on cost savings achieved through collocation. Thus, USDA lacks quantitative support for such a statement.

The fact that two offices are next to each other does not automatically guarantee more effective program coordination or translate into cost savings. In general, the Department's agency-focused culture works against resource-sharing initiatives. In order to help overcome this cultural bias, we believe that USDA needs to be more proactive in sharing resources.

increasingly tight federal budgets all support the need for USDA to take greater advantage of opportunities to consolidate local offices where farm clients may be serviced through a multicounty operation more efficiently and at less cost to the U.S. taxpayer.

We agree with USDA officials that consolidation can be a particularly thorny issue. We also believe that, given the present fiscal climate in Washington, many Members of Congress may be more receptive to consolidating field offices in their home districts, provided USDA's decisions balance the needs of the general taxpayer with those of the Department's traditional clients.

Certain staffing imbalances may be corrected by consolidation. And some USDA agencies have learned they can minimize potentially adverse effects on farmers, agency staff, and rural communities in general by working with affected groups, including Members of Congress, at the earliest stages of a proposed consolidation. Such actions could help remove or minimize the organizational and political barriers that allow field office inefficiencies to exist.

Recommendations

To encourage collocated offices to provide convenient service to farmers and rural residents at the least cost to the Department, we recommend that the Secretary of Agriculture implement the necessary management controls to ensure that (1) cost-savings data are maintained on resource-sharing initiatives undertaken at each collocated office and (2) the potential for additional cost savings at these locations is reported annually through the FACS to the Secretary. The state and local FACS should then work with USDA's top management to develop strategic plans for implementing additional initiatives at USDA's 2,040 collocated offices nationwide.

To ensure that field office consolidations are undertaken where feasible in terms of cost savings and without disrupting program delivery, we recommend that the administrators of FmHA, ASCS, SCS, as well as other USDA agencies with significant field presence, prepare annual reports to the Secretary of Agriculture and the Congress identifying potential consolidation candidates on the basis of work load and other relevant criteria. The Secretary should then use this information in working with the Congress and other interested parties in carrying out consolidations.

studies have addressed this subject over the last 2 decades alone. (See app. I.)

**1973 and 1985 USDA
Studies Called for
Transition to Integrated
Farm Agency**

Many of the recommendations and reform options contained in the studies listed in appendix I focused on pursuing incremental improvements similar to those we discussed in chapter 2. Interestingly, two of the studies—both conducted by USDA task forces—called for a clearer break with USDA's traditional field service delivery systems. USDA's 1973 Field Collocation Report estimated that the Department could save \$30 to \$50 million annually by jettisoning its outmoded field structure in favor of U.S. Agricultural Service Centers. The report focused primarily on benefits to be derived through collocation and resource sharing at such locations. However, the report also viewed such actions as only interim steps toward integrating USDA's farm agencies. The 1973 task force asserted that creating one farm agency would eliminate duplications and merge similar functions, thereby providing greater service to farm clients.

USDA's 1985 Blueprint Report recognized that many of the Department's services were tailored to meet the needs of the U.S. agriculture of 50 years ago. The report emphasized the necessity of beginning a process of "developing a leaner, stronger USDA, one which not only will be able to provide a better service to the American people, but at a lower cost to the U.S. taxpayer."

In their streamlining proposals to the 1985 task force, together with their responses to the report's draft recommendations, many of USDA's FACS recognized a major impediment to reorganizing the Department's field structure effectively: As long as five farm agencies were reporting to four different Under or Assistant Secretaries using differing administrative systems, there were practical limitations on how extensively USDA could restructure its field delivery system for farm programs. To remedy the situation and thereby permit a more extensive reorganization of the Department, the 1985 task force included options in its Blueprint Report for the Secretary to consider in integrating the farm agencies. Table 3.1 summarizes the strengths and weaknesses of these options.

USDA Is Likely to Need a More Integrated System for Delivering Farm Services

Mature public and private organizations commonly develop internal forces for stability, so that their structures and systems encourage and sustain only compatible corrections or improvements. Consequently, managers frequently become absorbed with “fine tuning” their existing structures and are slow to react to warning signals that may indicate a more comprehensive assessment of long-term missions and priorities is in order. To respond to changing conditions in American agriculture, USDA may have to do more than rely on the incremental adjustments to its field structure that we discussed in chapter 2. As USDA’s Blueprint Report noted in 1985, the Department may need “a more flexible and integrated” structure to maintain an optimal balance between public money spent on managing agriculture programs and actual services delivered.

Benefits Provided by Incremental Adjustments Are Limited

As we discussed earlier, public and private organizations can make short-term, incremental adjustments, compatible with their existing structures, to boost operational effectiveness and increase cost savings. This is an appropriate strategy, provided the organization in question is not already buffeted by changes in

- legal, political, or technical conditions;
- demand for products and services; and/or
- organizational size and resource allocations.

In situations characterized by these conditions, incremental measures—such as resource sharing, consolidations, and automation upgrades—are of limited value to federal managers because they affect only the margins of existing operations. They do not address large-scale issues that could change an agency’s overall design, mission, and service delivery systems. To address these broader concerns, federal managers must consider strategies to ensure the appropriate scope, level, and quality of service to clients.

Reforming USDA’s Field Structure: Unfinished Business

In our interim management review of USDA, we reported that the Department needs to consider whether it can afford to maintain its present field structure in the face of certain trends, including fewer program beneficiaries, increased opportunities to use information technologies, budgetary constraints, and the evolving global agricultural economy. We also noted that this was not the first time that perceived inefficiencies in USDA’s delivery system prompted suggestions for change. Suggestions for streamlining USDA field operations were advanced as early as 1945; eight

Agencies combined	For	Against
ASCS, FmHA FCIC, and SCS report to same Under or Assistant Secretary	1. Ensures consistency in farmer program policy, planning, and budgeting. 2. Permits ASCS offices to be closed because of transfer of conservation programs to SCS.	1. Major USDA responsibilities on Under or Assistant Secretary. 2. Require legislation to transfer local ASCS employees to administer conservation programs.

^aMaintain separate SCS.

^bTransfer the FmHA housing and community development programs to a new rural development agency; maintain SCS as separate agency.

Source: USDA 1985 Blueprint Report.

Like USDA's 1973 effort, the 1985 streamlining task force envisaged a series of "phased objectives" geared toward creating a single, integrated farm service agency. These phased objectives included the following:

- Continue to pursue incremental improvements to the existing structure.
- Establish a single Assistant or Under Secretary in charge of the farm service agencies.
- Create one farm agency by combining ASCS, SCS, FCIC, and some FmHA functions as described in one or more of the options in table 3.1.

Although the 1985 task force did not estimate the cost savings that might be achieved through this integration, it did project a significant reduction in the cost of service delivery by "eliminating unnecessary overhead in national, state, and county offices, permitting the cross-utilization of personnel, sharing of services, and ironing out of peaks and valleys in workload."

USDA Did Not Implement Task Force Recommendations to Integrate Farm Agencies

In a follow-up report on the Department's progress in implementing the recommendations of its 1973 task force,¹ USDA stated that the service center concept had proved too inflexible in meeting varying local needs to be implemented nationwide. USDA subsequently scaled back its goal of integrating the farm agencies and concentrated instead on the physical collocation of USDA agencies in the field. USDA officials told us that many field staff had perceived the 1973 study as a heavy-handed, headquarters-led effort that had not received sufficient input from the very staff that would be affected by its implementation.

¹USDA, Final Report: USDA Field Structure Task Force (Nov. 27, 1978).

Chapter 3
USDA Is Likely to Need a More Integrated
System for Delivering Farm Services

**Table 3.1: Arguments for and Against
Combining Current Farm Agencies Into a
Single Farm Agency**

Agencies combined	For	Against
ASCS, FmHA, FCIC, and SCS	<ol style="list-style-type: none"> 1. Simplify relationships between farmers and the Department. 2. Provide convenient service to farmers in single county office. 3. Ensure consistency in farm program policy, planning, and budgeting. 4. Reduce overhead costs of delivering services. 5. Permit cross-utilization of personnel. 6. Share services and personnel during seasonal work load periods. 	<ol style="list-style-type: none"> 1. Mix soil scientists and loan officers. 2. Require legislation to change ASCS personnel to federal status. 3. Revamp local committee for use with both ASCS and FmHA. 4. Require realignment of district organizational boundaries.
ASCS, FCIC and FmHA ^a	<ol style="list-style-type: none"> 1. See number 1 above, except for conservation technical assistance (SCS). 2. See number 3 above. 3. Less mixing of technical disciplines. 4. Reduce administrative costs. 	<ol style="list-style-type: none"> 1. See above arguments against, and this combination would require a separate field office structure for SCS.
ASCS, FCIC, FmHA ^b	<ol style="list-style-type: none"> 1. Administer nearly all financial assistance to farmers with one management and field office structure. 2. Provide consistency in farm program policy, planning, and budgeting. 3. Provide personnel to service FmHA farm loans. 	<ol style="list-style-type: none"> 1. See above arguments against, plus a field structure to deliver housing and community development programs. 2. Make and service single-family housing loans by district office. 3. Use new county offices to help with these loans. 4. Transfer single family housing loans to the Farmer Services Agency.
ASCS and FCIC	<ol style="list-style-type: none"> 1. Provides agency for both price support and insurance purposes. 	<ol style="list-style-type: none"> 1. FCIC is already moving to restrict federal role in crop insurance. 2. Less field work required by current ASCS contract.

(continued)

Lack of Interagency Coordination at Collocated Sites May Result in Multimillion-Dollar Losses

One of USDA's primary objectives in promoting collocation is to increase interagency cooperation in administering farm programs. However, as an FmHA management official at the agency's national office explained, the physical collocation of two USDA field agencies does not necessarily guarantee more effective program coordination. Recent findings by USDA's Inspector General (IG) suggest that the effort to coordinate farm programs at collocated sites has not been entirely successful. In May 1989, the Inspector General reported that poor coordination between FmHA and ASCS field staff in recording 17 FmHA-owned properties in 6 states had resulted in more than \$500,000 in improper ASCS and FCIC payments to ineligible farm clients.³ Our analysis of the IG report further revealed that FmHA and ASCS were collocated in the same or adjoining buildings in 75 percent of the locations at which these losses occurred.

The IG report had a limited scope—27 county office operations in 6 states were reviewed. If this situation is occurring at other locations—there are 2,040 locations nationwide where FmHA and ASCS are collocated—the coordination problem would be costing the federal government millions of dollars in improper payments. Such losses, owing to poor communication at collocated sites, in turn, may substantially offset any cost savings the collocated agencies had accrued by sharing resources.

FACs Have Been Lax in Coordinating USDA Policies in the Field

Below the level of Deputy Secretary, USDA uses one primary mechanism—the headquarters, state, and local FACs—for coordinating the activities of its field agencies. When functioning properly, the FACs can provide USDA's top management with valuable input for periodically evaluating how well the field system is performing. They demonstrated this ability during USDA's 1985 streamlining effort, but many state and local FACs lost interest in Department-wide issues after headquarters disappeared from the coordination loop in the late 1980s. Recent FAC activities, including a new headquarters FAC liaison and a June 1990 Secretarial memo expressing support for the FAC process, will it is hoped, lead to more fully involving the field in program, policy, and administrative initiatives. Even if the farm services were integrated, USDA would need a mechanism similar to the FACs to permit positive interaction between the integrated farm services agency and USDA's non-farm agencies in the field, such as the Forest Service, the Agricultural Marketing

³"Audit of the Unauthorized Use of Farmers Home Administration Inventory Farm Property," Report 50099-20-At, Office of the Inspector General, USDA, May 17, 1989.

In addition, despite broad-based participation—including field staff through the 50 state FACS—in preparing the 1985 Blueprint Report, USDA has not implemented the report's recommendations on integrating the farm agencies. Present and former Department officials told us that, with the change of USDA leadership in 1986, the incoming Secretary of Agriculture had decided not to expend the "political capital" associated with implementing the report's controversial recommendations.

We believe that the 1985 report's recommendations on integrating the farm agencies provide the present Secretary and future Secretaries of Agriculture with a reasonable basis from which to proceed. We further believe that the "phased" approach proposed by the Blueprint Report is appropriate and could be designed to correspond with USDA's 5-year farm policy cycle. A phased approach would allow USDA to develop the planning and tracking systems necessary to implement an integrated approach. It would also permit the Department to plan for reductions in staff through attrition wherever possible. Unlike reductions in force, attrition can save the government more money in a given fiscal year because it does not require severance pay or unemployment compensation. Further, a phased approach that relied on attrition would minimize other actions associated with reductions in force, such as demotions and job "bumping," which can reduce productivity by eroding employee morale. In response to our recent report on USDA's work force planning,² the Department is developing guidance for a Department-wide work force planning system that could provide the basis for a reduction in staff that would have the least impact on programs and services.

Several Factors May Hasten a Decision on Integration

In 1985, USDA's streamlining task force emphasized that to set the stage for restructuring or integrating the farm agencies, the Department first had to move promptly in pursuing incremental improvements to its field structure. In chapter 2 we noted that USDA's progress in improving its field operations through sharing resources at collocated offices and consolidating local agency offices has not been adequate. We believe the Department's slow pace in making these improvements delays even further any serious consideration of converting the existing mosaic of farm agencies into a single, unified agency structure. However, several factors discussed below could provide an impetus for top-level USDA officials to quicken the pace toward merging these agencies to increase cost savings and improve overall field management.

²U.S. Department of Agriculture: Need for Improved Workforce Planning (RCED-90-97; Mar. 6, 1990).

In this environment of fiscal stress, USDA needs a flexible organizational structure. The current field structure does not provide the Secretary with the flexibility to cut programs without the risk of seriously impairing its ability to provide traditional programs and services.

Because few USDA programs are exempt from automatic spending cuts mandated by deficit reduction law, the Department's share of total non-defense spending is larger than other domestic agencies'. Consequently, USDA is subject to serious shortfalls in programs and services if a substantial sequestration of funds actually occurs. Departmental deliberations over a possible 15-percent sequestration of USDA's funds for fiscal year 1990 demonstrated how seriously farm services could be affected by mandatory budget reductions. To meet their portion of the 15-percent cut, ASCS, SCS, and FmHA were prepared to furlough 13,200, 6,000, and 11,200 staff, respectively, for periods of up to 10 days. All three agencies were also poised to institute hiring freezes to manage additional savings. A report by USDA's top-ranking budget officer revealed that the overall effect of a fiscal year 1990 sequestration would have been less program money available to farmers and less money available to farm agencies to administer these programs. Farm agency officials further explained that they expect to take "even more Draconian measures" in response to budgetary pressures that may seriously impair their ability to provide traditional programs and services over the next few years.

Unless the Department undertakes comprehensive, long-term reforms of its farm service delivery system, it may soon have to resort to more permanent, across-the-board reductions that do not discriminate among efficient and inefficient program operations.

Conclusions

As organizations mature and develop stable internal structures, they may also react more slowly to developments that require comprehensive assessments of their long-term missions and objectives. In the public sector, mature federal agencies may resort to short-term problem-solving measures compatible with their existing structures when, in fact, changes in their external environment may dictate that more substantial structural reforms are in order.

Our management review, as well as two USDA task force reports, recognized practical limitations to reforming the Department's farm service delivery system, given USDA's existing organizational structure. Contributors to USDA's 1985 Blueprint Report, for example, acknowledged that unless USDA integrated the farm agencies at the national level, the ability

Service, and other federal agencies. Yet, the FACS can only develop, evaluate, propose, and coordinate ideas. In the end, it is up to USDA's top management to make the final decisions.

Agricultural Program Reforms Can Also Speed Changes in USDA's Field Delivery System

Movement underway on two fronts to reduce government intervention in agriculture may also trigger adjustments in USDA's field delivery system. If successful, the current General Agreement on Tariffs and Trade negotiations will likely necessitate a global restructuring of agriculture. Thus, U.S. agriculture will need to become more responsive to market signals, as opposed to artificial demands created by government policies that support, subsidize, or otherwise protect farmers. Concurrently, the Congress and the Executive Branch are also debating proposals for eliminating or scaling back inefficient agricultural programs. For example, one congressional proposal, designed to shift U.S. programs from price supports to welfare payments for needy farmers, could substantially reduce the number of eligible recipients in several programs.

Progress in these discussions, either together or separately, can have a significant impact on the work load of ASCS, USDA's farm agency largely responsible for administering yield payments, commodity certificates, and other programs long associated with production-oriented U.S. agriculture. Moving toward an integrated farm agency allows USDA to "retrofit" or retrain displaced ASCS personnel to perform functions carried out by the other farm agencies. The Department would then be able to draw upon a well-trained, experienced work force as needs change to fill vacancies as they became available in the integrated farm service agency.

Mounting Budget Pressures May Compel Field Structure Reform

Of the factors affecting the size of government operations, the mounting federal budget deficit exerts perhaps the most significant pressure on federal officials who are managing large departments or agencies. In fiscal year 1989, interest alone on the \$3-trillion federal debt reached \$241 billion, the highest single general expenditure in the federal budget after defense spending. As the Comptroller General noted in his 1989 Annual Report, in the present fiscal crisis, federal managers will be increasingly hard-pressed to continue providing the public with basic services.⁴

⁴Facing Facts—Comptroller General's 1989 Annual Report (GAO: Jan. 19, 1989).

of the field staff of these agencies to coordinate their activities effectively and efficiently would always be restricted.

If USDA does not voluntarily take the initiative to reform its 1930s-era field structure, a number of factors may force the Department to do so. Lack of strong interagency coordination, even in offices where two USDA agencies are collocated, has already resulted in the loss of potentially millions of dollars. The Department's only mechanism below the Deputy Secretary for coordinating field activities—the FACS—has not been functioning effectively in recent years. Federal and international negotiations to scale back protective and inefficient farm programs may in turn require a less expansive USDA field presence. Finally, ongoing efforts to reduce the national debt pose a particularly sensitive problem for large federal organizations, such as USDA, that are faced with declining funds for traditional services.

The present Secretary of Agriculture and his immediate successor may ultimately have to choose one of two alternatives: (1) work with the Congress now to develop an integrated farm agency with a multicounty structure, or (2) continue making marginal adjustments to the existing structure until a crisis forces hurried, ill-conceived reforms that leave USDA with a structure even less suited for administering farm programs in the interest of all U.S. taxpayers.

Matters for Consideration by the Congress

Now that the Congress has completed its work on the 1990 farm bill, we encourage it to hold hearings to (1) determine why USDA has not implemented its own task force's recommendations for integrating the farm agencies and (2) explore the prospect of reorganizing these agencies in conjunction with congressional deliberations on the program and policy provisions of the 1995 farm bill.

Agency Comments

USDA did not comment on this chapter. Its lack of comment raises a question about its willingness to consider more innovative, cost-effective means to delivering traditional farm services during an era of steadily shrinking resources.

Appendix I
Studies of USDA's Field Structure

Date	Organization	Title	Recommendations
11/27/78	USDA	<u>Final Report: USDA Field Structure Task Force</u>	Short-term: A national committee of agency administrators should work to coordinate and implement a specific collocation policy. Also, a program to collocate and share resources should be implemented at the Department level with prescribed criteria. Long-term: The aforementioned actions would reorganize the agencies into one agency with one manager per office and complementary changes would be made to the local committee structure.
12/5/76	USDA	<u>Audit Report: Multi-agency Agricultural Service Centers Program (Report No. 5100-1-SF)</u>	Findings with no recommendations: The departmental system for implementing and operating Agricultural Service Centers was not functioning with sufficient effectiveness to achieve desired results. The guidance and direction provided by Office of Operations was generally indecisive and subject to numerous changes and interpretations.
10/12/73	USDA	<u>USDA Field Co-location Study</u>	Collocation efforts be undertaken on a pilot basis as a prelude to full implementation and coordinated with any reorganization of the functional activities of USDA.

Studies of USDA's Field Structure

Date	Organization Title	Recommendations
10/21/85	USDA <u>A Blueprint for the Future Organization of the United States Department of Agriculture: Final Report by the Secretary's Task Force on Streamlining USDA</u>	Short-term: Sharing employees, supplies and facilities would improve utilization and reduce program costs. Long-term: Solutions that require extensive reorganization would provide greater benefits, both to the public served and to the taxpayers who finance government operations.
8/31/83	Grace Commission <u>President's Private Sector Survey on Cost Control: Report on the Department of Agriculture</u>	USDA should more aggressively pursue collocating ASCS, SCS, and FmHA county offices and consolidating ASCS offices.
1982	USDA <u>Study on the benefits of colocated offices</u>	USDA should focus on the basic goals of combining offices into a common physical site to improve service to clients and increase potential for resource sharing and operational efficiency.
8/5/80	GAO <u>Streamlining the Federal Field Structure: Potential Opportunities, Barriers, and Actions That Can Be Taken (FPCD-80-4)</u>	Measures such as consolidating and collocating field offices can take advantage of economies of scale; generate reduced costs, personnel and space savings; eliminate marginal offices; improve personnel use and service delivery.
4/25/79	GAO <u>Collocating Agriculture Field Offices—More Can Be Done (CED-79-74)</u>	USDA should evaluate (1) availability, expandability, and cost of office space; (2) potential for sharing personnel and other resources, and (3) views of current and potential program recipients to help in deciding whether a change in field office location would benefit the program recipients and help achieve program objectives. Also, assess and report to the Congress the progress made in collocating field offices and interchanging personnel and other resources, together with information on problems and any recommendations that may be appropriate in the annual report required under section 603 of the Rural Development Act.

(continued)

USDA Response
to
GAO Draft Report, GAO/RCED-90-218, Entitled
"U. S. Department of Agriculture: Farm Agencies
Field Structure Needs Major Overhaul"

GENERAL COMMENTS

The Department of Agriculture (USDA) agrees with the GAO that the Department should continue to actively pursue efficiency improvements and cost savings through collocation, resource sharing, and consolidation of field offices wherever feasible. The cost savings attainable through improved resource sharing and consolidation, while beneficial, are unlikely to reach the level implied in the report. Expenditures for space and equipment are a relatively small proportion of agency budgets. While even relatively small cost savings are welcome, it should be noted that many opportunities for field office resource sharing have been realized already, and expectations of additional large dollar savings through such efforts may be overly optimistic.

See comment 2.

COLLOCATION

USDA has moved aggressively to collocate farm service agency field offices. In fact, as of the end of 1989, farm service agency field offices were fully or partially collocated in 2,604 counties, or 88 percent of the 2,948 counties in which USDA has field offices. USDA would like to correct the table on page 23 of the draft report as follows:

Table 2.2: 1989 Collocation Status for ASCS, SCS, and FmHA,
Calendar Year 1989

Total Field Offices Nationwide				Total Counties Fully Collocated	Total Counties Partially Collocated	Total
Total U. S. Counties With Field Offices	ASCS	SCS	FmHA			
2,948	2,824	2,847	2,116	2,221 (75%)	383 (13%)	2,604 (88%)

The number of county offices that are fully collocated (2,221) is higher than the 2,040 locations indicated in the draft report. USDA considers counties in which only one farm service agency has a field office to be fully collocated. Also, statistically, the percentage of counties fully or partially collocated should be based on the total number of counties with USDA field offices, rather than the total number of U. S. counties, since USDA does not have field offices in 112 counties. Additionally, 44 states have collocated offices in at least 80 percent of their counties; 10 states have collocated offices in 100% of their counties.

See comment 3.

Comments From the U.S. Department of Agriculture

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

November 8 1990

The Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
Washington, D.C. 20510

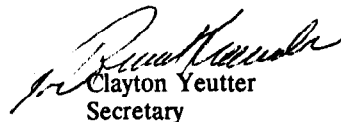
Dear Mr. Bowsher:

We are enclosing the Department's comments on the General Accounting Office (GAO) Draft Report RCED-90-218, "U.S. DEPARTMENT OF AGRICULTURE: Farm Agencies' Field Structure Needs Major Overhaul."

Our response should clarify the inaccuracies and lack of up-to-date information in the draft report. More detailed written responses from the Soil Conservation Service (SCS), Agricultural Stabilization and Conservation Service (ASCS), Office of Public Affairs (OPA), and Farmers Home Administration (FmHA) on this information were provided to Andrew Finkel, GAO Assignment Manager.

When the final report is complete and GAO's recommendations are finalized, the Department will provide a statement of action. Please refer questions through the Office of the Assistant Secretary for Administration, Room 218-W.

Sincerely,


Clayton Yeutter
Secretary

Enclosure

See comment 1.

through additional resource sharing, since most of the potential savings have been realized already in the existing collocated offices. USDA, through the FACs, the Office of Operations, and each of the farm service agencies, continues to identify and implement additional resource sharing and cost saving opportunities on a regular basis.

To encourage greater resource sharing in all collocated offices, the Office of Operations will update the Departmental Regulation on collocation placing more emphasis on resource sharing. A "shared resources checklist," identifying resource sharing opportunities that collocated offices should take advantage of, will be a part of the revised regulation. The checklist would be used by the FACs to monitor agency progress in resource sharing and cost saving.

As the draft report points out, a variety of additional resource sharing initiatives are underway in several regions. One area with great potential for cost savings and improved efficiency, actively pursued by USDA at headquarters and in the field but overlooked by the GAO, is automation and data sharing. The newly initiated Department-wide IRM Strategic Planning and Information Architecture effort will benefit field offices through the sharing of customer information. Similarly, the Modern Administrative Processing System/Automated Integrated Management System (MAPS/AIMS) project will apply advanced ADP and telecommunication technologies to automate and integrate administrative processes Department-wide. The MAPS/AIMS project has the potential for a high short-term payoff in cost savings and efficiency gains exceeding those from collocation or consolidation of field offices.

In addition to these Department-wide efforts, the Farmers Home Administration (FmHA) is currently building its automated systems using "open system" specifications to the extent possible. In so doing, FmHA will have the capability to exchange or share information with other agencies even though agencies use different hardware or software. While the data sharing needs of each agency have not been defined fully yet, efforts are underway to do so. For example, the FmHA and Agricultural Stabilization and Conservation Service (ASCS) pilot project will enable FmHA to capture ASCS's historical crop acreage data for use by FmHA field offices.

CONSOLIDATION

The changing demographics of American agriculture have resulted in reduced client population and reduced workloads in some county field offices. In such cases, consideration is given routinely to consolidating offices to serve two or more counties from one field office. As with collocations, increased efficiency and service to USDA customers are the primary considerations in decisions to consolidate offices, or otherwise adjust resource allocations to reflect workload changes. As the draft report notes, FmHA, ASCS, and SCS all have consolidated field offices in recent years. We agree with the GAO that "additional consolidation potential exists"; however, neither the absolute numbers of counties with farm

USDA's rationale for collocation is to improve service to USDA customers consistent with achieving dollar savings. USDA collocation policy, as stated in Departmental Regulation 1620-1, dated December 12, 1986, is:

" . . . to collocate the field offices of the Agricultural Stabilization and Conservation Service, the Soil Conservation Service and the Farmers Home Administration at the state and county level at locations which most efficiently and cost-effectively meet the needs of the public. Where practical, other USDA agencies with field offices in the same community will be subject to this policy."

We believe that the emphasis, noted in the draft report, on improved service to USDA clients is correctly placed.

USDA farm service agencies continue to actively pursue opportunities for collocating their field offices. Possibilities for collocation are investigated whenever leases are about to expire, or plans are made to upgrade or expand existing office space. Collocation is managed at the state and county level through the State Food and Agriculture Committees (FACs). Issues which cannot be resolved at the county or state level, and all requests for decollocation, are referred to the Agricultural Field Facilities Committee (AFFC), composed of high ranking headquarters representatives of each of the farm service agencies and the Office of Operations. The Office of Operations maintains a collocation tracking system and issues an annual report on the status of field office collocations. In 1989, USDA collected substantially more detailed information on the status of collocation efforts than in past years, to improve centralized monitoring and direction of collocation efforts.

Full collocation of all farm service agency field offices is not always feasible. Some small communities lack office space large enough to house several agencies; higher rents for one or more of the agencies involved may result from a move to collocated space; lease expiration dates do not always coincide or cannot be renegotiated advantageously; the costs of moving or renovating space may exceed the potential cost-savings through resource sharing; and the customers of different agencies may be located in widely distant areas. Collocation decisions are based on regional factors and sound business judgment with improved customer service and efficiency being the primary considerations. Collocation may be deferred when the expected costs outweigh the benefits in improved service or reduced cost. Nevertheless, with field offices collocated in all but 12 percent of counties, non-collocation clearly is the exception to the rule.

When collocation is feasible, farm service agency field offices welcome the opportunity to reduce costs by sharing limited resources. Collocated offices routinely share conference rooms and reception areas, office equipment such as copiers and fax machines, central services such as mail and supply services, lease administration and motor pools. The dollar value of the savings realized through such resource sharing is difficult to calculate precisely. USDA does not agree with GAO's estimate of the amount of savings that could be realized

The FmHA is developing new methods of distributing workload and consolidating specialized functions under centralized offices through a pilot project called the Field Office Specialization Project. Presently planned for 14 states, the pilot's new specialized staffs will assume responsibility for appraisals, underwriting servicing chronically delinquent loans and managing inventory property, while the county office staffs will continue their traditional functions of providing supervised credit and helping borrowers "graduate" to private credit providers. Although the primary objective of the pilot project is improved credit management and internal control, it will have a direct impact on county office workload levels and may permit the consolidation of additional county offices.

As the above examples illustrate, county field office consolidation is only one of several efforts undertaken by USDA to streamline field operations and improve efficiency and service delivery while constraining operating costs. As the draft report notes, however, there are substantial organizational and political obstacles to further consolidation, and proposals to close individual field offices frequently are met with strong local and Congressional opposition. Past efforts to aggressively implement wide-scale consolidations have been side-tracked by Congressional instructions to maintain the status quo. For example, the 1985 Supplemental Appropriations Act (P.L. 99-88) specifically instructed that "none of the funds in this or any other Act shall be available to close or relocate any State or county office of the Agricultural Stabilization and Conservation Service." While this law is no longer in effect, it clearly illustrates the obstacle USDA agencies have encountered in consolidating field operations without a clear legislative mandate to do so. USDA welcomes GAO and Congressional support for efforts to further streamline program delivery.

service agency field offices, or the comparison of administrative costs to program outlay, are valid bases on which to judge the adequacy of USDA's efforts to streamline field operations.

In analyzing what the GAO terms "organizational slack" in ASCS field operations, the draft report identifies a number of "high-cost" field offices based on the ratio of administrative dollars expended per dollar of program payments. It is then suggested that efficiency gains and cost savings could be realized by consolidating these "high cost" offices into more "cost-effective" field offices. Such a comparison is misleading. The size of program payments is not an accurate reflection of field office workload, and does not take variations in commodity programs into consideration. For example, ASCS southeastern area field offices administer a number of commodity programs, such as tobacco and peanut programs, which generate high workloads. The sale and lease of allotments and the establishment and monitoring of tobacco and peanut quotas require the expenditure of considerable staff time. However, program benefits reach farmers through marketing associations and are not recorded as having been delivered through the county offices. Thus the ratio of costs to benefits is highly distorted for these counties. This alone casts doubt on the GAO estimate of \$90 million in potential savings from consolidation of ASCS offices. In contrast, the large feed grain and wheat programs predominant in midwestern field offices generate large program payments with lower workloads. Consequently, administrative cost to program outlay is not an accurate reflection of efficiency or workload. At USDA we use county office workload statistics as a basis for identifying candidates for consolidation because we find it a more reliable measure.

See comment 6.

USDA does not have a rigid policy governing field office consolidation. Consolidation decisions are made on a case-by-case basis according to the unique circumstances of the region and agency programs. Each USDA agency is pursuing creative efforts to allocate resources as efficiently as possible among regions and program needs. For example, ASCS has implemented a variety of staffing patterns to adjust to workload requirements. In addition to combination offices, in which one office provides services to two or more counties, ASCS offices operate under Shared Management arrangements, in which one County Executive Director (CED) manages two or more full service county offices. There are also Suboffice arrangements in which minimally staffed county offices offer limited program service and are managed by a CED located in an adjoining county. ASCS state and county committees conduct periodic reviews of county office operations to determine the feasibility of consolidation or other reallocation of staff based on workload, impact on customers and personnel, and potential cost savings.

See comment 7.

The SCS has consolidated administrative and technical staffs at the county, area and state levels whenever it is cost-effective. The SCS has reduced the number of its area offices by 44 percent since the mid-1970s, consolidating 320 offices into the present 180. It has effected a 21 percent reduction in area offices in the past 6 years. Consolidations at the county level are more difficult to accomplish while providing direct conservation services to farmers and ranchers, yet county offices have also been consolidated in some states.

We disagree with two other points. First, USDA considers counties with only one of the three USDA farm agencies offices in a county as fully collocated because it does not want to penalize counties that do not have an opportunity to collocate in its reporting statistics. As mentioned in comment 1, we have a definitional problem with calling single USDA office counties collocated. We chose to list the 181 single county offices separately. Second, we found USDA's figure for the number of ASCS county offices to be overstated. USDA's figure (2,824) is based on the latest survey of state Food and Agriculture Council (FAC) figures compiled by the Office of Operations, which manually compiled the information. We found that the Office of Operations figure contained offices previously consolidated. Our number (2,797) is based on an ASCS computer report issued during the same month the Office of Operations was collecting its information. Office of Operations officials told us that the ASCS figure was probably more accurate for calculating the actual number of county offices, but that they had to use the FAC-supplied information because individual headquarters agencies' data cannot be used for calculating collocation statistics.

4. We agree that the trend has been towards increased collocation. However, we see no basis for claiming that most of the potential savings from resource sharing have already been realized. As noted above, USDA does not track resource sharing at collocated sites or maintain data on cost savings achieved through such measures. Thus, USDA lacks quantitative support for such a statement.

The fact that two offices are next to each other does not automatically guarantee more effective program coordination or translate into cost savings. In general, the Department's agency-focused culture works against resource-sharing initiatives. In order to help overcome this cultural bias, we believe that USDA's Office of Operations and FACS need to be more proactive in the resource-sharing area. The Office of Operations only monitors collocation statistics; it does not track cost-savings data or promote cost-savings ideas. Similarly, the revitalized FACS have not attempted to tap their grass roots constituency for innovative ideas to identify and promote resource-sharing initiatives. In 1985, although only a few of 50 state proposals were implemented, such an effort resulted in millions of dollars in savings.

5. We agree that increased opportunities to use new technologies have great potential to improve information exchange in collocated offices. Our general management review report on strengthening USDA management systems will cover the issue in detail.

The following are GAO's comments on the U.S. Department of Agriculture's letter dated November 8, 1990.

GAO Comments

1. USDA's characterization of "inaccuracies" in our report could be better described as a differences of opinion regarding the definition of a collocated office. USDA considers counties where only one USDA farm agency has an office as being fully collocated. Because we have a definitional problem with calling single USDA office counties collocated, we chose to list single county offices separately.

Without a more specific response, we assume that USDA's reference regarding "lack of up-to-date information" refers primarily to its comments that our report did not fully address the Department's future automation and data-sharing plans. Our general management review on strengthening USDA management systems will discuss USDA's automation and data-sharing plans in detail. Because the systems are in the early stages of development, our discussion of them in this report was limited to how new information technologies could fit into a more integrated system for delivering farm programs.

The FmHA Planning and Analysis Staff Director criticized our report for not adequately identifying the future environment in which USDA agencies must function, another reference that our report is out-of-date. We believe our report adequately discusses how USDA's external environment has changed since the field structure was established. We believe that adequately identifying what the future agricultural environment will look like is an activity USDA should be carrying out as a basic part of a strategic planning process.

2. We question USDA's basis for implying that the largest cost savings at collocated offices have likely already been realized for two reasons. First, USDA does not know what its savings are because it has not instituted a formal system for tracking such cost savings, a recommendation we first made in 1979. Second, the Department's most recent grass roots effort for pursuing cost savings—the 1985 streamlining effort—largely dissipated shortly after the Department initiated it.

3. We agree that it would be fairer if our percentage figures for the number of collocated counties are based on USDA counties that have at least one ASCS, SCS, or FmHA office rather than the total number of U.S. counties. The table and text have been changed to reflect this point.

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A related point USDA did not comment on is that improvements in areas as automation and data sharing can help increase the pace towards integrating the existing mosaic of farm agencies into a unified structure. Our third chapter discusses the need for and benefits of a more integrated farm delivery system. However, USDA chose to respond only to the sections of our report dealing with incremental improvements. We question whether the Department's silence on such integration issues suggests an unwillingness to consider more innovative, cost-effective means to delivering traditional farm services during an era of steadily shrinking resources.

6. We recognized early on in our work that USDA uses county office work load statistics as a basis for identifying consolidation candidates. However, we found USDA's work load statistics to be unreliable for such a purpose because county office statistics are typically accepted at face value by state ASCS offices.

We do not consider our analysis comparing administrative cost to program benefits as the criterion for office consolidations. However, we do consider the comparison to be a valid indicator, along with other factors such as reliable work load data, farm trends, county size, and budget considerations, for USDA to consider as a basis for decisions in office consolidation.

In regard to USDA's discussion of ASCS' southeastern area county offices, we recognize that the results of our field office analysis includes a number of counties with tobacco and peanut acreage and that ASCS' computer center does not pick up program benefits paid out by marketing associations. We also recognize that the tobacco price-support and production adjustment programs (acreage allotments and marketing quotas) are required by law to be carried out at no cost to the taxpayer, other than the Department's administrative expenses common to the operation of all price-support programs. Yet USDA's letter states that establishing and monitoring tobacco quotas requires the expenditure of considerable staff time when compared to the large feed grain and wheat programs that have lower work loads.

Our analysis also includes a large number of counties that produce little in the way of tobacco, peanuts, or any other farm program crop.

7. In its detailed written response, the Assistant Deputy Administrator for Management, ASCS, wrote that "ASCS' prime argument for not pursuing more consolidation is the lack of consistent guidance it has

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